Office-Supreme Court, U.S.
FILED
OCT 15 1963
JOHN F. DAVIS, CLERK

No. 554

IN THE

Supreme Court of the United States

OCTOBER TERM, 1963.

POPEIL BROTHERS, INC.,
Petitioner,

vs.

KARL ZYSSET and NEW-NEL KITCHEN PRODUCTS COMPANY,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

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The Scheffer Press, Inc.—ANdover 3-6850

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KARL ZYSSET and NEW-NEL KITCHEN PRODUCTS COMPANY,

Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

Popeil Brothers, Inc. prays that a writ of certiorari issue to review the judgments of the United States Court of Appeals for the Seventh Circuit entered in its causes numbered 13939 and 13940 on June 3, 1963.

OPINIONS BELOW.

1. The original opinion of the District Court for the Northern District of Illinois rendered on October 3, 1958, holding both claims of the patent in suit valid and infringed is reported at 167 F. Supp. 362, and is reproduced at page 21a of the Appendix hereto.

2. The opinion of the Court of Appeals for the Seventh Circuit rendered on February 11, 1960; and the modification thereof upon petition for rehearing entered April 14,

1960, holding Claim 1 of the patent invalid and Claim 2 valid and infringed, are reported at 276 F. 2d 354, and are reproduced at page 36a of the Appendix hereto.

3. The opinion of the District Court for the Northern District of Illinois rendered on October 26, 1961, denying Defendant's Motion for Mitigation of Damages or for the Application of the Rule *De Minimis Non Curat Lex*, is reported at 199 F. Supp. 594, and is reproduced at page 45a of the Appendix hereto.

4. The opinion of the District Court for the Northern District of Illinois rendered on July 13, 1962, awarding damages of $126,103.12 and attorneys' fees of $56,222.26 is reported at 134 USPQ 222, and is reproduced at page 48a of the Appendix hereto.

5. The order of the District Court for the Northern District of Illinois entered on November 13, 1962, denying Defendant's Motion for Relief from Judgment is not reported, but is set forth at page 69a of the Appendix hereto.

6. The opinion of the United States Court of Appeals for the Seventh Circuit rendered on June 3, 1963, of which review is sought, again affirming as to the validity of Claim 2 of the patent but reversing the District Court as to damages and ordering entry of judgment for $636,672.12, is reported at 318 F. 2d 701, and is set forth at page 7a of the Appendix hereto.

GROUNDS OF THIS COURT'S JURISDICTION.

The judgment of which review is sought was entered on June 3, 1963. Defendant's timely petition for rehearing was denied on July 17, 1963. This Court has jurisdiction by virtue of 28 U.S.C. Sections 1254(1) and 2101(c).

QUESTIONS PRESENTED

1. Where a patent is claimed on a combination of several elements, each of which is old in the prior art, may a finding of patentability be based solely on the fact that the prior art does not disclose a structure which incorporates all of these elements, or is it necessary to find in addition that incorporating them in a single structure enables them to cooperate together to produce some new and unexpected result or function different from the respective functions performed by each of the elements acting separately?

2. May a Federal Court, in an infringement action, after finding a patent cannot be sustained on the ground upon which it was allowed by the Patent Office nevertheless sustain one claim thereof on a ground which was rejected by the Patent Office?

3. In awarding damages under 35 U.S.C. Sec. 284, which requires an award of damages "adequate to compensate for the infringement," may a court

(a) Award the defendant's profits on *all* sales made by him, or must the award be limited to profits on those sales which the plaintiff would have made but for the infringement;

(b) Award the *entire* profit made by the defendant on sales of articles held to infringe a combination patent, or must the award be limited to the difference between such profits and the profits defendant would have earned from sale of a non-infringing article of the same basic type;

(c) Deny deductions from the defendant's profits for salaries of officers who have not been sued and for income taxes irrespective of whether the infringement is wilful?

4. Is the question of what "damages [are] adequate to compensate" for an infringement essentially one of fact in the light of all of the circumstances of a particular case on which the judgment of a District Court must be affirmed unless clearly erroneous, or is a Court of Appeals free to substitute its own views of appropriate relief?

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED.

The Constitutional provisions and statutes involved are listed below. Because of their length they are set forth at the beginning of the Appendix.

Constitution of the United States, Article I, Sec. 8.
35 U.S.C. Sec. 70 (1940 Ed.).
35 U.S.C. Sec. 70 (1946 Ed.).
35 U.S.C. Secs. 141-145, 282, 284.

STATEMENT OF THE CASE.

This action was brought on April 29, 1957, in the United States District Court for the Northern District of Illinois, alleging infringement of U.S. Letters Patent No. 2,782,826 issued to Karl Zysset.

The patent in suit, which appears at page 84a of the Appendix hereto, describes an allegedly improved household vegetable shredder or chopper enclosed within a bell-like housing, open at the bottom and designed to be put over the onions or other material to be chopped by a knife operating vertically on a spring. No novelty is claimed for so much. Beyond this is the asserted invention. Inside such a housing is a blade consisting of a single sinuous or meandering steel strip attached to a vertical rod fitted with a spring along its length, which extends out through the top of the housing and has a knob at its top. By al-

ternately depressing and releasing the knob, the blade is moved up and down thus chopping the food. Inside the housing is a "wiper cup" having a continuous sinuous slot which conforms to the sinuous shape of the blade. On its upward stroke, the blade passes through the slot of the wiper cup which "wipes" or "brushes off" any food particles which may have adhered to the blade during the cutting portion of the stroke. An automatic rotating or "indexing" device causes the assembly of the sinuous blade and wiper cup to rotate a few degrees during the last stage of each upstroke, so that before commencing a new downstroke, the blade is in a new position to chop the food.

The patent consists of only two claims. Claim 1 is a base claim, and claims as novel over known rotating vegetable shredders operating in a bell-like housing, one in which the automatic indexing device rotates the stem and knife blade only on the last stage of each upstroke. Claim 2 claims as novel "a vegetable shredder as set out in Claim 1," in which the knife blade is sinuous, which has a wiper cup containing a continuous sinuous slot through which the blade passes and clears itself on the upstroke, and in which the blade-carrying rod is secured in a particular way. Claim 2 is a "dependent" claim because it incorporates by reference everything contained in Claim 1 and adds further limitations.

The Patent Office first rejected the predecessors of both Claims 1 and 2. Subsequently, having found the indexing device inventive, it allowed Claim 1 and, in consequence, allowed dependent Claim 2 as a matter of course.

The District Court held both Claims 1 and 2 valid and infringed and reserved the question of damages. 167 F. Supp. 362, App. 21a. The Court of Appeals affirmed as

to Claim 2 but reversed as to Claim 1. 276 F. 2d 354, App. 36a. The Court of Appeals found the indexing or rotating device to be old, and since Claim 1 described a vegetable shredder in which this device was the only allegedly novel feature, the Court invalidated Claim 1. However, the Court held that the sinuous blade and wiper cup possessed patentable novelty, and that since Claim 2 described a vegetable shredder consisting of a combination of elements which included the sinuous blade and wiper cup, the combination described in Claim 2 was patentable even though all the other elements of the combination were old in the art.

On remand, Petitioner twice presented to the District Court prior art patents showing the sinuous blade and wiper cup to be old, once on a motion made prior to the final judgment for damages and once on motion made subsequent thereto. The District Court considered the evidence presented on both motions and denied both on the ground that the prior art shown did not affect its decision as to the validity of Claim 2. 199 F. Supp. 594, App. 45a.

The District Court further heard evidence on the question of damages and made the following finding of fact, *inter alia*:

> "The Court finds that this is one of those rare cases in which an infringement has been a blessing in disguise; that only the skill, salesmanship, and business acumen of defendant and its principal officer, Samuel J. Popeil, has brought a financial reward to the plaintiff in the form of a fortuitous windfall if this judgment is finally collected. The defendant did get legal counsel before acting in this case and that counsel was to the effect that plaintiff's patent was invalid." (App. 64a)

Accordingly, it found that an award of a reasonable royalty "would, together with attorneys' fees, be adequate compensation for defendant's infringement of the patent in suit, taking all things into consideration" (App. 60a), and that "for all the reasons herein set forth, the Court does not allow any exemplary damages to the plaintiff." (App. 64a) It found the amount of a reasonable royalty to be $126,103.12 and entered a final judgment for that amount plus $56,222.26 attorneys' fees. (App. 68a)

On the second appeal, the Court of Appeals again affirmed as to the validity of Claim 2 but reversed as to damages. It abandoned its previous position that the sinuous blade and wiper cup were novel so as to render the combination embodying them patentable. It nevertheless held that this combination described by Claim 2 was patentable even though each one of the elements comprising it was admittedly old in the art, on the ground that no one had previously combined all these elements into the structure disclosed by the patent in suit.

With respect to damages, the Court held that the amount of Petitioner's profits was ascertainable and that, "If profits are susceptible of determination, no royalty should be awarded," and concluded that Respondents were entitled to recover the entire profits made by Petitioner on shoppers which utilized the Zysset combination. It further held that Petitioner was entitled to no deductions for officers' salaries or income taxes paid. Accordingly, it directed the entry of judgment against the Petitioner in the amount of $636,672.12.

REASONS FOR GRANTING THE WRIT.

I.

THE COURT OF APPEALS HAS PROMULGATED A NEW AND LOWER STANDARD OF PATENTABILITY FOR COMBINATION PATENTS WHICH IS IN CONFLICT WITH CONTROLLING DECISIONS OF THIS COURT AND OF OTHER COURTS OF APPEALS.

The Court of Appeals has announced that if a man brings together in a single structure several elements, each of which is old and well known in the art but which have never before been combined, he is to be awarded a patent monopoly for having created a new *structure*, even though this structure produces no new or different *result* or *function*, but merely aggregates the respective results or functions of each of the elements acting separately. This revolutionary concept of patentability is in direct conflict with controlling decisions of this Court and of the Courts of Appeals, and will extend the range of patent monopolies far beyond that intended by the framers of the Constitution or of the applicable statutory provisions.

A.

The Controlling Standard of Patentability for Combination Patents.

A combination of elements may be claimed as patentable for either of two reasons:

First, a patentee may claim a combination as patentable because he has invented a novel element designed to operate as part of the overall combination, the remaining ele-

ments of which are old.[1] We are not here concerned with this type of claim, for the Court of Appeals' decision is predicated upon the admission that *all* of the elements of the Zysset chopper are individually old.

Second, a combination of several elements may, under certain conditions, be claimed as patentable where a patentee has brought together several elements, *each* of which is old, as is true here. The controlling authority on when such a combination is patentable is *Great Atlantic & Pacific Tea Co.* v. *Supermarket Equipment Corp.*, 340 U.S. 147 (1950). The "rather severe test" there enunciated is elaborated as follows:

1. The old elements must perform some "additional or different function in the combination than they perform out of it." 340 U.S. at 152.

2. There must flow "unusual or surprising consequences from the unification of the elements." 340 U.S. at 152.

3. "The conjunction or concert of known elements must contribute something; only when the whole in some way exceeds the sum of its parts is the accumulation of old devices patentable." 340 U.S. at 152.

4. "'Courts should scrutinize combination patent claims with a care proportioned to the difficulty and improbability of finding invention in an assembly of old elements.'" 340 U.S. at 152.

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[1] In such a case, the patentee could equally well claim the novel element alone and thus prevent its use either alone or in conjunction with any other element or elements. By claiming the entire combination described in the patent, he is actually asserting a *narrower* claim, since use of the novel element will not infringe unless it is used in the precise combination described in the patent. *Dunkley Co.* v. *Central Calif. Canneries*, 7 F. 2d 972 (9th Cir. 1925).

These rules represent the summation of a long and consistent line of cases in this Court. See, *e.g.*, *Cuno Engineering Corp.* v. *Automatic Devices Corp.*, 314 U.S. 84 (1941); *Toledo Pressed Steel Co.* v. *Standard Parts Inc.*, 307 U.S. 350 (1939); *Lincoln Engineering Co.* v. *Stewart-Warner Corp.*, 303 U.S. 545 (1938); *Altoona Publix Theaters, Inc.* v. *American Tri-Ergon Corporation*, 294 U.S. 477 (1935); *Diamond Rubber Co.* v. *Consolidated Rubber Tire Co.*, 220 U.S. 428 (1911); *Brinkerhoff* v. *Aloe*, 146 U.S. 515 (1892); *Burt* v. *Evory*, 133 U.S. 349 (1890); *Watson* v. *Cincinnati, I., St. L. & C. Ry.*, 132 U.S. 161 (1889).

Moreover, these cases specifically hold that aggregation of old elements producing no new result is not a patentable invention *even though* (a) the structure thereby produced was not known before, *Burt* v. *Evory*, 133 U.S. 349, at 359 (1890); and (b) the structure is *better* and *more useful* than any before produced, *Altoona Publix Theaters, Inc.* v. *American Tri-Ergon Corporation*, 294 U.S. 477, at 486 (1935); *Brinkerhoff* v. *Aloe*, 146 U.S. 515, at 516 (1892).

B.

The Decision of the Court of Appeals.

The Court of Appeals has cast aside the foregoing learning and decreed that a man is entitled to a patent if he brings together old elements to produce a new *structure* which has never been produced before and which possesses advantages over structures disclosed by the prior art, irrespective of whether the structure produces any new, different, or surprising *function* or *result* beyond an aggregation of the respective functions or results produced by each of the elements acting separately.

The sweeping import of the Court's opinion is revealed when it is read together with its first opinion. In that opinion, the Court held that, "The sinuosity of the blade

and slot in the wiper cup or plate was wholly novel in concept," and that it "constituted invention although found in a combination of other elements which were old in the art." 276 F. 2d at 357, App. 41a. Accordingly, it held that Claim 2 was valid.

However, the Court did not stand on this ground alone, for it also stated that the District Court had applied the correct criteria of invention when the latter "found that none of the prior art references discloses in combination the *structure* of the patent in suit . . . and concluded that the *structure* as shown and defined in the patent in suit constitutes patentable invention." (276 F.2d at 357, App. 40a-41a, emphasis added).

On the second appeal, after Petitioner had demonstrated conclusively (on the basis of prior art patents never before presented to the Court) that the sinuous blade and wiper cup were old and well known in the art, the Court of Appeals abandoned any attempt to place its decision on the basis of novelty of the blade and wiper, and openly avowed the theory which had been (perhaps only an implicit or alternative ground of its first decision. It clearly held (and interpreted its prior opinion as holding) that Zysset's combination was patentable because none of the prior art disclosed a structure containing all of the elements thereof in combination. It did not deem it necessary either in this or its prior opinion to find that the assemblage of old elements produced any new or surprising result different from the respective results produced by each of the elements acting separately.[2]

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[2] Respondents may attempt to contend otherwise by seizing out of context a part of the following passage in the Court's first opinion:

> "The sinuosit. of the blade and slot in the wiper cup or plate was wholly novel in concept and an important

Nor indeed could the Court have found any new result to be produced by interaction of the elements found in the Zysset chopper, even if it had thought it material. Former Commissioner of Patents Lawrence C. Kingsland testified without contradiction that the indexing or rotating feature and the sinuous blade and the wiper cup each performs the same function and produces the same result whether in combination or out of combination with one another. (App. 70a) In other words, the indexing mechanism in the Zysset combination does just what it has always done—it rotates the chopping blade and the rotation function is no different whether the blade is straight or sinuous or has a wiper cup. Similarly, the sinuous blade and wiper cup of Zysset's combination do exactly what they always have done—the blade chops and the wiper cup brushes it off on the upstroke. Performance of this chopping function is no different whether the blade is manually rotated,

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[2] (Continued)

element in the combination claimed in the patent. It eliminated the problem of particles wedging between multiple blades without loss of the advantage of the additional chopping surfaces, and in combination with the indexing feature produced a result beyond that of mere mechanical improvement over existing art." 276 F. 2d at 357.

It is clear the improved "result" referred to was that produced by the sinuous blade and wiper cup, and that the Court's reference to "combination" was a reference to the fact that the blade and wiper were found in a combination of which they were an "important element." If there could be any doubt the Court felt the inventive result was created by the blade and wiper and not by interaction of all elements of the combination, it is dispelled by the last sentence of the same paragraph:

"Here the sinuous blade constituted invention although found in a combination of other elements which were old in the art." 276 F. 2d at 357.

as in the Galant and Hoffman patents, or automatically rotated, or indeed whether it is rotated at all.

This evidence stands uncontradicted. And Respondent, although repeatedly challenged to do so, has never attempted to suggest any way in which there is an interaction of the old elements of Zysset's combination to produce any new result.

The doctrine of the Court's opinion is that if the selection of old elements incorporated into a single structure is unique it is patentable even though nothing new is accomplished. This opinion is at utter odds with the *A. & P.* case and its consequence as a precedent will be to extend the grip of patent monopolies far beyond anything intended by the Constitution or the applicable statutes. As Mr. Justice Douglas observed, concurring in the *A&P* case, "The standard of patentability is a constitutional standard," namely, "to promote the Progress of Science and useful Arts." (340 U.S. at 154, 155.) The Court of Appeals' opinion emasculates that standard by subtracting from, rather than adding to, readily available human knowledge and resources.

This Court recently has twice granted certiorari to clarify the rules for determining when a combination patent is *contributorily* infringed. (*Aro Mfg. Co., Inc.* v. *Convertible Top Replacement Co., Inc.*, 365 U.S. 336 (1961); *Aro Mfg. Co.*, v. *Convertible Top Replacement Co., Inc.*, 372 U.S. 958 (1963), No. 75 this term.). The instant case presents a question even more fundamental—under what circumstances such a combination patent may be granted in the first place. It is *a fortiori* of sufficient importance to warrant this Court's exercise of its power of review.

II.

THE COURT OF APPEALS' DECISION THAT IT HAS POWER TO SUSTAIN A PATENT ON A GROUND REJECTED BY THE PATENT OFFICE INVOLVES AN IMPORTANT QUESTION OF FEDERAL LAW WHICH HAS NOT BEEN BUT SHOULD BE SETTLED BY THIS COURT.

Not only has the Court of Appeals promulgated a new and lower standard of invention for combination patents, but in doing so it has violated a basic principle for review of administrative action by sustaining the patent on a ground specifically rejected by the Patent Office.

There is no question that the Federal Courts generally have statutory power *in infringement actions* to *invalidate* the grant of a patent. 35 U.S.C. Sec. 282. But only the Court of Customs and Patent Appeals, or alternatively the District Court for the District of Columbia (35 U.S.C. 141-145), have power to overrule Patent Office action adverse to a patentee. However, the Court of Appeals here exercised the novel power to sustain a patent in an infringement action on a ground expressly rejected by the Patent Office. Here is how it happened:

1. *Zysset's Original Application.* Zysset originally filed an application containing five claims of which Claim 1 was the base claim describing a vegetable shredder having a particular type of automatic rotation and Claims 2-5 were "dependent" claims, incorporating by reference everything in Claim 1 and successively adding further limitations.[3]

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[3] This was done pursuant to Rule 75(c) of the Rules of Practice of the Patent Office which reads:

> "When more than one claim is presented, they may be placed in dependent form in which a claim may refer back to and further restrict a single preceding claim."

Claim 4 cumulatively added to the shredder described in Claim 1 the sinuous blade and wiper cup. App. 75a.

2. *The Examiner's Rejection.* The Examiner rejected Claim 1 of Zysset's application as being anticipated by the automatic rotation shown in the prior Hanel Patent. App. 77a. He then faced the question whether any of the dependent claims, by adding elements to the shredder, created patentable novelty even though Claim 1 did not.

His answer was an emphatic "no", and he rejected all dependent claims. In rejecting original Claim 4, he specifically held that the addition of a sinuous blade and wiper cup did "not involve invention."

3. *Zysset's Amendment.* In response to the Examiner's action, Zysset cancelled all his claims and substituted two new claims which became Claims 1 and 2 of the patent in suit. Revised Claim 1 described the vegetable shredder with the automatic rotating or indexing device. Claim 2 incorporated by reference Claim 1 and added thereto the sinuous blade and wiper cup; its relevant substance was the same as original rejected Claim 4. Zysset pointed out to the Examiner that Hanel's indexing device differed in several material respects from his own, and in particular, that Hanel's rotation was not restricted to the last stage of the upward stroke. App. 80a.

4. *The Final Allowance.* The Examiner, becoming convinced (erroneously, as the Court of Appeals later held), that Zysset's indexing device was sufficiently inventive over the prior art, allowed new Claim 1. Having allowed Claim 1, the Examiner was then able to allow Claim 2 even though, in and of itself, its relevant substance was the same as original rejected Claim 4, for if the broader base claim is patentable, a dependent claim which incorporates

its invention and narrows it is *a fortiori* patentable. The Examiner did what former Commissioner of Patents Lawrence C. Kingsland testified was Patent Office practice —when a base claim is allowed, all dependent claims (if in proper form), are allowed as a matter of course without regard to whether the latter are independently patentable (App. 71a). Thus, Zysset's new Claim 2 was allowed *not* because the addition of a sinuous blade and wiper cup to the shredder described in Claim 1 created a novel combination—for the Examiner had held it did not and this holding stands unreversed—but because Claim 2 incorporated the indexing device of Claim 1 erroneously held by the Examiner to be novel.

5. *The Court of Appeals' Decision.* On the first appeal, the Court of Appeals held that the indexing device of Claim 1 was *not* novel. The court thus held legally insufficient the ground upon which the Examiner had allowed both Claim 1 and Claim 2. The Court accordingly held Claim 1 invalid. However, instead of holding Claim 2 also invalid, it arrogated to itself the power to sustain Claim 2 on a ground upon which the Examiner had not only not predicated his allowance of Claim 2 but which he had specifically rejected. It was at this point that the Court of Appeals violated settled principles of review of administrative action.

This Court, in *Securities and Exchange Commission* v. *Chenery Corp.*, 332 U.S. 194, 196 (1947), laid down the "fundamental rule of administrative law" that:

> "• • a reviewing court, in dealing with a determination or judgment which an administrative agency alone is authorized to make, must judge the propriety of such action solely by the grounds invoked by the agency. *If those grounds are inadequate or improper, the court is powerless to affirm the administrative action by substituting what it considers to be a more adequate or*

proper basis. To do so would propel the Court into the domain which Congress has set aside exclusively for the administrative agency." (Emphasis added).

This Court has never passed on whether the *Chenery* doctrine applies to review of Patent Office decisions. However, we submit that its application to such decisions is especially apt and the Court of Appeals' decision should not be permitted to stand as precedent to the contrary.

Congress has recognized that the complex scientific and mechanical questions presented by patent applications call for a high degree of agency expertise. It has required that the examiners-in-chief of the Patent Office be "persons of competent legal knowledge and scientific ability." 35 U.S.C. Sec. 7. Moreover, it has provided an exclusive mode for review of rejections of patent applications. The disappointed applicant must first protest the rejection before the Patent Office Board of Appeals, upon which the specially qualified examiners-in-chief sit. 35 U.S.C. Secs. 7, 134. If dissatisfied with its decision, he must then appeal either to the Court of Customs and Patent Appeals or to the District Court for the District of Columbia, in either of which events the Commissioner of Patents—the only party representing the interest of the public in preventing unwarranted monopolies—must be made a party to the proceedings. 35 U.S.C. Secs. 141-145.* The Court

*The Congressional interest in this scheme is apparent, for while the power granted to the federal courts generally in infringement actions to invalidate patents can result at most in disappointment of private litigants, exercise of the special power conferred by 35 U.S.C. Secs. 141-145 to compel the issuance of a patent results in foisting upon the public a monopoly, which Congress has permitted only after administrative review by the expert Board of Appeals, in proceedings affording to the public's representative, the Commissioner of Patents, and his scientifically trained experts, opportunity to be heard why no invention warranting monopoly is involved.

of Appeals in the instant case does great violence to this congressionally intended scheme. By sustaining Claim 2 on a ground rejected by the Examiner, it in effect issues a patent which the Examiner refused, and does so in a collateral proceeding between private litigants, without the further deliberation of the expert Board of Appeals, and without the Commissioner of Patents present as a party to protect the interests of the public. A more apt case for application of the usual rules relating to review of administrative action can hardly be imagined. We suggest this is a basic question on which this Court should speak.

III.

IN CONSTRUING THE PATENT DAMAGE STATUTE, 35 U.S.C. SEC. 284, THE COURT OF APPEALS HAS DECIDED SEVERAL QUESTIONS ON WHICH THE COURTS ARE IN UTMOST CONFLICT AND CONFUSION. THE STATUTE HAS NEVER BEEN CONSTRUED BY THIS COURT AND THE QUESTIONS HAVE NOT BEEN, BUT SHOULD BE SETTLED BY THIS COURT.

Prior to 1946 the recovery section of the Patent Statute provided in relevant part:

> "The complainant shall be entitled to recover, in addition to profits to be accounted for by the defendant, the damages the complainant has sustained • • •"[5]

The statute, and the courts, for years had treated "profits" and "damages" as two distinct forms of recovery, the first based on the theory that the infringer was a constructive trustee for all profits earned as a proximate result of the infringement, recoverable as such irrespective of

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[5] 42 Stat. 35 U.S.C. Sec. 70 (1940 Ed.), App. 1a.

the plaintiff's actual loss, and the second based on the theory of compensating the plaintiff for what he had actually lost. (See, *e.g.*, *Dowagiac Mfg. Co. v. Minnesota Moline Plow Co.*, 235 U.S. 641, 647 (1915).) In 1946 the statute was amended to delete any reference to profits as such,[6] and with minor modifications in language in 1952 was placed in its present form, which reads as follows:

> "Upon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer * * *" (66 Stat. 813, 35 U.S.C. Sec. 284, App. 6a).

This Court has never construed this constantly used and important statute. There are irreconcilable and important differences between the various Circuits as to its meaning. The time has arrived, we suggest, when this Court should say when, to what degree, and under what conditions, "profits" may be weighed as an element of an infringement recovery.

The reason for the 1946 change was that an accounting of profits was slow and technical. Moreover, where, as here, a mere improvement patent in a generally used device was involved, an accounting entailed, *inter alia*, the difficulty of apportioning "profits" between those resulting from the addition of the improvement and those resulting from the basic device itself absent the "improvement." These problems moved Congress to act.[7]

In the case at bar the District Court, following the statutory precept, found that an award of a royalty of

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[6] 60 Stat. 778, 35 U.S.C. Sec. 70 (1946 Ed.), App. 2a.

[7] Commentary, 35 U.S.C.A. 56.

[8] S.R. No. 1503, 79th Cong., 2nd Sess., U.S. Code, Cong. Serv., 79th Cong., 2nd Sess., 1386.

4¢ a unit "would, together with attorneys' fees, be adequate compensation . . . *taking all things into consideration*," (App. 60a). It awarded $126,103.12 as royalty and $56,222.26 as attorneys' fees. However, the Court of Appeals flatly held that, "If profits are susceptible of determination, no royalty should be awarded." (318 F. 2d at 706, App. 15a). It awarded respondents the entire profits on all sales of choppers which contained the allegedly infringing combination and disallowed any deduction therefrom for officers' salaries and income taxes. It mandated the District Court to enter a judgment of $636,672.12 (App. 88a).

The instant opinion makes no pretense that Respondents would have made $636,000 profit but for Petitioner's asserted infringement; it awards Respondents the entire profit (before legitimate deductions) on sales of the device which embodied Zysset's "improvement" without pretense of determining what portion of those profits was attributable to the improvement and what portion to the basic device without the improvement.

If the novel doctrine of this opinion, that when an asserted infringer's gross "profits are susceptible of determination [as usually is the case], no royalty should be awarded," is to remain on the books as stating the law (and breeding progeny), the 1946 amendment was unnecessary, for the well understood difficulties of a true "accounting" and apportionment of profits (Cf. *Garretson* v. *Clark*, 111 U.S. 120 (1884); *Westinghouse Co.* v. *Wagner Mfg. Co.*, 225 U.S. 604 (1912); *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641 (1915)); actually were nonexistent. Or, stated elsewise, the Court of Appeals has construed the damage statute as one which did not substitute the concept of "general damages" for an accounting of relevant profits, but as one which repealed

the well understood rules, standards and limitations of an "accounting" if a plaintiff sought "profits" rather than "damages" on an improvement patent. This is all contrary to what Congress said and will plague the patent system for years if permitted to stand as a viable precedent. In 1946 the Senate Committee on Patents joined in a Report of the House Committee on Patents which explained the necessity for the change in the statute as follows:

> "The object of the bill is to make the basis of recovery in patent-infringement suits general damages, that is, any damages the complainant can prove, not less than a reasonable royalty, together with interest from the time infringement occurred, rather than profits and damages.
>
> "The relief that a patent owner needs against an infringer to protect his right in his patent and to compensate him for past infringement is an injunction to prevent future invasion of his right and general damages as due compensation for infringing * * * the rights secured to the patent owner * * *. The evil attendant upon 'the law's delay' and the difficulty of adducing convincing proof of necessary facts is peculiarly exemplified in patent-infringement suits where profits are claimed.
>
> "Frequently a suit for patent infringement involves the infringement of only an improvement in a complex machine, and it is impossible to apportion profits due to the improvement. * * *" (S.R. 1503, 79th Cong.; U.S. Code Cong. Serv., 79th Cong., 2nd Sess., 1946, 1387).

* * * *

Important conflicts and questions under Section 284 raised by the Court of Appeals' decision are as follows:

1. Whether an Infringer's Profits May be Awarded on all Sales Made by Him or Must be Restricted to Such Sales as the Plaintiff Would Have Made but for the Infringement.

Although the new recovery section of the Patent Act makes no reference to recovery of profits as such, the question remains whether an infringer's profits may still be taken as the measure of "adequate compensation" to the plaintiff without regard to plaintiff's actual loss, or whether an infringer's profits may be considered only to the extent they derive from sales which plaintiff would have made but for the infringement. On this question the lower courts are badly in confusion and conflict, which is sketched below:

(a) The Ninth Circuit apparently has taken the view that under the new statute the plaintiff is entitled, and limited, to recovery of his actual computed loss of profits, and therefore an infringer's profits can be recovered only to the extent the plaintiff can show he would have made them but for the infringement. In *Coleman Co.* v. *Holly Mfg. Co.*, 269 F. 2d 660 (9th Cir. 1959), the Court awarded plaintiff (outside of certain exemplary relief), the profits *it* would have made at *its* normal rates of profit on sales *it* would have made but for the infringement. In *Laskowitz* v. *Marie Designer, Inc.*, 119 F. Supp. 541 (S.D. Cal. 1954), the Court expressly stated that profits of the infringer are now recoverable only to the extent they measure the actual loss or detriment to the plaintiff.[9]

[9] And since loss to the plaintiff is the keynote, the Ninth Circuit also holds that where the plaintiff does not himself manufacture and sell the invention but licenses others to do so, the only proper measure of what he has lost is a royalty, either established or reasonable; where he manufactures and sells, he is entitled to lost profits. *Faulkner* v. *Gibbs*, 199 F. 2d 635 (9th Cir. 1952).

(b) The Fifth Circuit apparently has followed the same view, although its statement thereof is perhaps less clear. In *Graham* v. *Jeoffroy Mfg. Co.*, 253 F. 2d 72 (5th Cir. 1958), it stated "compensatory damages * * * may comprehend the profits of the infringer," that evidence of such profits "may be considered by the court," and that they "may be the measure of the damages suffered, even though the statute does not prescribe that profits are to be recovered as such." (253 F. 2d at 74). However, the fact findings in the case indicate its adherence to the loss-to-plaintiff rule, for the Court of Appeals acted on and approved findings of the District Court that "*but for* the intervention of defendants, the plaintiffs would have supplied the market for about all" of the infringing devices sold by defendants (253 F. 2d at 77, Emphasis added).

(c) The Third Circuit has taken the view that infringer's profits are still an appropriate measure of damage under the new statute, irrespective of the amount of actual loss to the plaintiff. *International Industries* v. *Warren Petroleum Corp.*, 248 F. 2d 696 (3d Cir. 1957), stated that the rule of damages in both trade-secret and patent-infringement actions is "not what plaintiff lost, but rather the benefits, profits, or advantage gained by defendant." (248 F. 2d at 699). Yet, in *Hartford National Bank* v. *E. F. Drew & Co., Inc.*, 188 F. Supp. 353 (D. Del. 1960), the Court, while finding that plaintiff was entitled only to a royalty since it engaged in granting licenses, cited *International Industries* and took the equivocal position that "Damages may be measured by the defendant's gain *or* the plaintiff's loss" (p. 359, emphasis supplied). It held, in language condemnatory of the Court of Appeals' unrestrained action in the case at bar, that "some Courts have not exercised meticulous care to avoid hardship on the infringer" (p. 359), and that damages

adequate to compensate "should not be based solely on • • • profits of an infringer" (p. 359), for "a proper measure of damages includes a consideration of profits (not, however, a total award of the profits) as one of the elements gained by the defendant's illegal use of the patent" (p. 362).

(d) The Sixth Circuit apparently has adopted the view that an infringer's profits may be recovered where the plaintiff proves the amount of such profits *and* the defendant fails to advance any other measure. *Wm. Bros. Boiler & Mfg. Co.* v. *Gibson-Stewart Co.*, 312 F. 2d 385 (6th Cir. 1963). And the Sixth Circuit does not distinguish between a plaintiff who himself manufactures and sells the invention and one who merely licenses others to do so, for its holding in the *Wm. Bros.* case is that "if profits are susceptible of determination, no royalty should be awarded." (312 F. 2d at 386). However, the quoted language (relied upon by the Court of Appeals in the case at bar), is taken directly from the Sixth Circuit's earlier decision in *Enterprise Ry. Equipment Co.* v. *Wine Ry. Appliance Co.*, 77 F. 2d 159 (6th Cir. 1935), a case decided under the pre-1946 statute which permitted recovery of infringer's profit irrespective of the amount of plaintiff's loss. It thus appears that the Sixth Circuit holds the same rule to be applicable under the post-1946 amendments.

(e) The Seventh Circuit's view has had a checkered and tortuous course, culminating in the instant case. In *Ric-Wil Co.* v. *E. B. Kaiser Co.*, 179 F. 2d 401 (7th Cir. 1950), the Court held in passing on the form of an order directing a hearing on profits and damages:

> "The language [of the 1946 statute] appears to make it plain that *profits realized by an infringer are not recoverable as such.* 'General damages' is a

broad term which no doubt may include numerous elements depending upon the circumstances of the case. And whether an infringer's profits is an *element* of such damages depends upon the facts of each individual case." (179 F. 2d at 407, emphasis supplied).

Then, in *National Rejectors, Inc. v. A.B.T. Mfg. Corp.*, 188 F. 2d 706 (7th Cir. 1951), the Court affirmed an award of infringer's profits which had been limited by the District Court to profits made on such of the infringing products (233,590 out of 303,598 units), which the plaintiff demonstrated, and the District Court found, the plaintiff could and would have sold but for the infringement. Thus, *National Rejectors* limited the plaintiff to recovery of its loss.

In the instant case the Seventh Circuit has come full circle and held that plaintiffs here may recover not their loss or "damage," but all of defendant's profits on all sales of allegedly infringing choppers even though there is no finding that plaintiffs would have made all, or any specific part, of such sales in the absence of the alleged infringement. Although the District Court found that plaintiff New-Nel had the manufacturing capacity to produce the quantity of choppers which defendant sold, it made no finding on how many of such additional choppers plaintiffs would in fact have sold had they been free of competition by defendant. The Court of Appeals did not even comment upon the absence of such a finding. Accordingly, it is impossible to reconcile Judge Castle's opinion in the case at bar with that of Judge Major in *Ric-Wil* or that of Judge Lindley in *National Rejectors*.

Nor would it have been possible for the Court of Appeals, in the case at bar to have concluded that plaintiffs, in the absence of defendant's competition, would have made all of the sales which defendant in fact did make. Inter-

things stood in the way: *First*, where profits are sought, the burden always is on the plaintiff to establish how many of defendant's sales it would have made, and the amount of profit it would have made thereon. Plaintiffs here never attempted such proof; they showed only what New Nel's asserted manufacturing capacity was. *Second*, there were other competing manufacturers of similar choppers who in fact diverted trade from both plaintiffs and defendant (Cons. Add'l. App. 252b-258b). Plainly, therefore, the Court of Appeals could not possibly have concluded, even *sub silentio*, that if defendant had not infringed, all of its sales would have been diverted to plaintiffs. Such an inference would be prohibited by *Dowagiac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641, 648 (1915). *Third*, the record showed without dispute, and the District Court found as fact, that in the six years *prior* to defendant's competition, plaintiff Zysset sold only 3,883 choppers in the United States (App. 60a). During the approximate three years of alleged infringement, plaintiffs sold only 337,694 choppers (App. 83a), whereas defendant sold 3,152,578 (App. 56a). During the two years *after* the period of alleged infringement defendant sold 1,275,000 choppers which did not embrace the patented combination (App. 55a), yet plaintiffs were able to sell only 100,870 of their patented machines in the same time (App. 83a).

If there can be any doubt that the Court of Appeals considered it immaterial whether plaintiffs in fact would have made the sales which defendant did, it is dispelled by the opinion's flat and unqualified language that "An infringer's profits are a traditional measure of damages" (318 F. 2d at 707, App. 15a), and its express adoption and approval of the language of the Sixth Circuit's *Wm. Bros.* case that "* * * if profits are susceptible of deter-

mination, no royalty should be awarded" (p. 706, App. 15a). As shown above, the statement in *Wm. Bros.* was an uncritical adoption of a statement made before 1946, and the profits referred to were the infringer's profits, not the plaintiff's lost profits. Thus, however the matter be viewed, it is clear that the Court of Appeals has adopted the rule that a plaintiff should recover the complete benefit that defendant received from an infringement rather than being restricted to compensation for the loss plaintiff actually sustained. Manifestly, the instant opinion is in direct conflict with the earlier rule in the Seventh Circuit and in direct conflict with the holdings of the Fifth and Ninth Circuits.[10]

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[10] Respondents may attempt to seize upon the fact that the Court paid lip service to the holding of the *Ric-Wil* case that whether an infringer's profits are to be awarded depends upon facts and circumstances of the individual case. But in the very next sentence, the Court here states that because "here the actual profits of the defendant were determinable," they should be awarded "unless the nature of the case makes the employment of such measure of damages improper or inequitable." 318 F. 2d at 707. The "improper" or "inequitable" circumstance which the Court has reference to are explained in the following sentence to be those where "the marketable value of the infringing devices was attributable to some other feature," a question of proximate causation having nothing to do with measuring the loss to the plaintiff.

The Court's lack of concern with loss to the plaintiffs is also evidenced by the fact that its judgment awards defendant's profits jointly and indiscriminately to Zysset, the Swiss patentee, and New-Nel, the exclusive United States licensee, even though it is uncontrovertible that the only loss to Zysset with respect to United States sales would be a loss of royalty and much proof had been put in by plaintiffs as to Zysset's royalty practices (App. 57a). This aspect of the Court's decision is in direct conflict with the Ninth Circuit's holding in *Faulkner* v. *Gibbs*, 199 F. 2d 635 (9th Cir. 1952).

We believe the proper rule under the present recovery section is closest to that advanced by the Ninth Circuit, and heretofore by the Seventh Circuit in *Ric-Wil* and *National Rejectors*, that a plaintiff can no longer recover, *per se*, the profit or benefits the defendant has received. but may recover compensation for the loss he has sustained, and the plaintiff has the burden of proving what part, if any, of defendant's profits he would have earned in the absence of the infringement. However, whatever the proper rule may be, the issue is one of large, nation-wide and frequent importance which arises in virtually every infringement case. It has bred conflict and utmost confusion among the lower courts which, we respectfully suggest, this Court ought definitely to lay at rest.

2. Whether, Under Any View as to the Recoverability of an Infringer's Profit, the Award May Exceed the Difference Between The Profits Earned and Those Which would have been Earned from the Sale of a Non-infringing Article of the same Basic Type.

Whatever view one adopts as to the recoverability of infringer's profits under the new statute, it is necessary to determine to what extent such profits are proximately related to the infringement itself. This question has been dealt with under both the old and new statutes and it is one upon which there has been *no* conflict among the circuits until the Court of Appeals in the instant case created one.

The courts uniformly have held that the plaintiff in an infringement case has, as in the case of any tort, the burden of showing what profits of the defendant would not have been earned but for the tortious act, here, the asserted infringement. This necessitates comparing the profits actually earned with those which would have been earned by the asserted infringer had he used

or sold the same basic device in the non-infringing form known to the prior art and without the improvement described by the patent.

In cases where the claimed improvement in the basic device consists of an element to be incorporated therein, the courts have held that the plaintiff must show how many devices the plaintiff would have sold had the novel feature been eliminated. For example, in *Powaguac Mfg. Co.* v. *Minnesota Moline Plow Co.*, 235 U.S. 641, 644-646 (1915), the Court held that where the plaintiff had invented an improvement for grain drills consisting of a new type of spring mechanism to be incorporated therein, it must show what portion of defendant's profits were due solely to the incorporation of such new spring mechanism. "The *plaintiff* has the burden to

> "* * * give evidence tending to separate or apportion the defendant's profits and the patentee's damages between the patented feature and the unpatented features, and such evidence must be reliable and tangible, and not conjectural or speculative; or he must show, by equally reliable and satisfactory evidence, that the profits and damages are to be calculated on the whole machine, for the reason that the entire value of the whole machine, as a marketable article, is properly and legally attributable to the patented feature." (*Garretson* v. *Clark*, 111 U.S. 120 (1884), quoted in *Westinghouse Co.* v. *Wagner Mfg. Co.*, 225 U.S. 604, 615 (1912).)

Only where the plaintiff sustains the burden of proving that if the novel feature were eliminated the device would be unsalable is he entitled to the entire profits made by the infringer on sales of devices containing such feature. Thus, in *Graham* v. *Jeoffroy Mfg. Co.*, 253 F.2d 72 (5th Cir. 1958), where the plaintiff had invented a new spring clamp for a plow, the District Court made a finding, approved by the Court of Appeals (A. 77), that "de-

fendants at best would have been able to sell no more than a negligible number of the 1,863 plows in question without a spring clamp device attached." (Even so, only 60% of the profit was awarded). And in *National Rejectors, Inc.* v. *A.B.T. Mfg. Corp.*, 188 F.2d 706 (7th Cir. 1951), involving invention of a new type of retainer for slug rejectors, the plaintiff proved and the Court found (A. 709), that "no market would exist for them [the slug rejector sold by defendant] if features under Claim 21 were eliminated and that this is one of the rare cases wherein substantially the entire marketable value of a mechanism comprising several features can be attributed to one patented feature which embraces an improvement of one of the parts of the mechanism. . . . but for the features found to have infringed there would have been absolutely no sale for the rejectors manufactured by defendant."

In cases like the present where the claimed improvement in the basic device consists of a combination of elements, each of which is old, but which in combination produce a new result (assumed *arguendo*) the principle is exactly the same although its application differs somewhat. Since the omission of *any one* of the elements comprising the combination renders the device non-infringing, *Dunkley* v. *Central Calif. Canneries*, 7 F.2d 972, 975 (9th Cir. 1925); *The Corn Planter Patent*, 23 Wall. 181, 219 (1874), plaintiff must show how many devices would have been sold had *any* of the elements of the combination been deleted, and only the difference between that amount and the profits actually earned is recoverable. For example, in *Singer Mfg. Co.* v. *Cramer*, 109 Fed. 652 (9th Cir. 1901), where the patent covered and defendant manufactured and sold a treadle consisting of old elements producing in combination a new result, the Court held (p. 659), that the

plaintiff "must prove by satisfactory evidence the advantages gained by the infringer in the unlawful use of the patent, over and above the advantages which he could have derived from the use of similar articles unpatented and open to the use of the public." Likewise, in *Dunkley Co.* v. *Central Calif. Canneries*, 7 F.2d 972 (9th Cir. 1925), and *Horvath* v. *McCord Radiator & Mfg. Co.*, 100 F.2d 326 (6th Cir. 1938), both involving patents on combinations of old elements, the Courts held that plaintiff must prove the profit or advantage to the defendant in the use of the plaintiff's invention as compared with other devices open to the public to accomplish the same result, and may recover only the excess of the former over the latter.

The Court of Appeals in the instant case, while professedly acknowledging the rule of proximate cause in cases like *National Rejectors*, involving a patent on a novel element to be incorporated into a basic device, illogically abolishes it in cases involving patents on combinations of elements, in direct conflict with the *Singer*, *Dunkley*, and *Horvath* cases. Neither the District Court nor the Court of Appeals found how many choppers Petitioner would have sold had any one of the elements of Zysset's combination been eliminated, much less that Petitioner would not have sold a single such chopper. The only evidence in the record on the subject, found as a fact by the District Court, shows that Defendant sold 1,275,000 food choppers without automatic rotation and without wiper cups! (App. 55a) Hardly the basis for a finding, even if one had been made, that Petitioner could not sell *any* food choppers unless it utilized *all* the elements of Zysset's combination.

3. Whether, In Computing the Amount of an Infringer's Profits, a Court May Disallow Deductions for Officers' Salaries and Income Taxes Paid Irrespective of Whether the Officers Have Been Held Individually Liable and Irrespective of Whether the Infringement Was Wilful?

(a) Officers' Salaries.

The Court of Appeals here peremptorily held that "compensation paid to defendant's three corporate officers, who are the owners of the corporation, is not a permissible deduction." (App. 18a) This is in square conflict with decisions in the Second Circuit holding that salaries paid to an infringing corporation's executive officers are deductible, *Stromberg Motor Devices Co.* v. *Zenith-Detroit Corp.*, 73 F. 2d 62 (2d Cir. 1934), cert. dismissed, 294 U.S. 735 (1935), even where the corporation is a close corporation whose shareholders constitute all of its officers, *Clair* v. *Kastar, Inc.*, 70 F. Supp. 484 (S.D.N.Y. 1946).

The two cases upon which the Court of Appeals predicates its decision in this regard hold merely that where the infringer is a sole proprietor he may not deduct a "salary" to himself, *Flat Slab Patents Co.* v. *Turner*, 285 Fed. 257 (8th Cir. 1922), and that where a corporate officer is sued with the corporation and held individually liable as an infringer, the corporation may not deduct salary paid to him, *Graham* v. *Jeoffroy Mfg. Co.*, 253 F. 2d 72 (5th Cir. 1958). We believe no case has ever held that where only a corporation is sued, the salaries paid by it to its officers are non-deductible *merely* because the officers also were shareholders. The decisions in the Second Circuit expressly reject such a view.

(b) Income Taxes

The Court of Appeals' refusal to allow any deduction for income taxes paid by defendant is in direct conflict with all the cases that have passed on the question. These cases hold that a deduction for income taxes is allowable except where the infringement is wilful. See, *e.g.*, *Larson* v. *Wrigley*, 277 U.S. 97 (1928); *Enterprise Ry. Equipment Co.* v. *Wine Ry. Appliance Co.*, 77 F. 2d 159 (6th Cir. 1935); *Stromberg Motor Devices Co.* v. *Zenith-Detroit Corp.*, 73 F. 2d 62 (2nd Cir. 1934); *Stromberg Motor Devices Co.* v. *Detroit Trust Co.*, 44 F. 2d 958 (7th Cir. 1930); *Triplex Safety Glass Co.* v. *Pittsburgh Plate Glass Co.*, 38 F. Supp. 639 (D. Del. 1941).

The Court of Appeals here denies a deduction for income taxes in the face of an undisturbed finding by the District Court that "the defendant did get legal counsel before acting in this case and that counsel was to the effect that plaintiff's patent was invalid." (App. 64a). The decision, therefore, is in square conflict with controlling authorities in this Court and in the Courts of Appeals and is impossible to reconcile with any theory that such punitive relief is necessary to give plaintiffs "adequate compensation." Inherent in the opinion is a holding that the 1946 amendment wiped out a deduction that theretofore, in "profits" cases, was allowed as a matter of course. Such, we submit, is an egregious misconstruction of the statute which, if not corrected, will only spawn more trouble.

IV.

THE COURT OF APPEALS HAS TREATED THE QUESTION OF "DAMAGES ADEQUATE TO COMPENSATE" UNDER 35 U.S.C. SEC. 284 AS ONE OF LAW RATHER THAN ONE OF FACT ON WHICH THE DISTRICT COURT'S DECISION MUST GOVERN UNLESS CLEARLY ERRONEOUS. THIS COURT HAS NEVER DECIDED WHAT ARE THE PROPER RESPECTIVE ROLES OF THE DISTRICT COURTS AND COURTS OF REVIEW UNDER THE NEW PATENT DAMAGE SECTION. IT SHOULD DO SO, FOR IF THE INSTANT CASE IS PERMITTED TO STAND THERE WILL BE LITTLE ROOM FOR THE EXERCISE OF SOUND JUDICIAL DISCRETION BY DISTRICT COURTS IN FASHIONING RELIEF SUITED TO THE FACTS OF THE PARTICULAR CASES BEFORE THEM.

Underlying the damage questions themselves is the very serious question of the respective roles of the District Courts and the Courts of Appeals in determining what sum is "adequate to compensate" for an infringement.

When the old statute authorized "profits" as a direct item of recovery, it may be that District Courts had little latitude in fashioning the extent of relief, for an "accounting of profits" involved largely applications of fixed rules. However, when Congress changed the basic recovery to one of "damages adequate to compensate" it would seem that it wished District Courts to exercise sound judicial fact finding discretion in fashioning relief to fit the facts and circumstances of particular cases—such is inherent in the concept of "damages." Some of the Congressional debate so indicates.[11]

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[11] Cong. Rec. 79th Cong. 2nd Sess. p. 1857.

In the case at bar the overriding facts are: (1) Petitioner did not proceed wilfully but upon legal advice that Zysset's patent was invalid (App. 64a). (2) What Zysset himself proclaimed to be the major part of his patent, his base claim, has in fact been declared invalid (and we urge the entire patent is so). (3) Royalty rates under wholly valid patents for kitchenware items never are high, running from 2½% to 5% of manufacturers' prices (App. 58a). (4) In patent, unlike ordinary cases, a court may receive expert testimony as to the quantum of relief (35 U.S.C. Sec. 284). The District Court received such testimony from both sides and stated that he attached great weight to the evidence of former Commissioner of Patents Kingsland (App. 59a-60a). (5) The District Court found that Kingsland's opinion "*together with all of the facts and circumstances known to the Court in this case*" brought it to the conclusion that 4¢ a unit[12] was a fair royalty and that an award of a fair royalty would conform with the law (App. 60a). All of this is largely ignored by the Court of Appeals and a judgment imposed that is nearly five times greater than any royalty Zysset might reasonably have received. So monstrous an injustice is indicative that the Court of Appeals misconceived the function of a court of review.

We suggest that the bold action of the Court of Appeals makes it necessary for this Court to determine whether when Congress created the standard of "damages adequate to compensate" in the Patent Statute, it did not

[12] The District Court's apparently contrary conclusion of a 10¢ royalty appearing at App. 66a has been conceded to be a mere clerical error of failure to eliminate from a draft of Conclusions tendered by Respondents a paragraph that was at variance with the District Court's real views.

commit to the trial courts the usual decree of judicial discretion which they have in determining damages or degree of relief in other fields of the law. The instant opinion lays down the flat rule that if profits are determinable there is no room for discretion as to any other measure of damages. In fine, it treats the matter wholly as a question of law and accords no weight to the District Court's views.

Adequacy of damages always has been regarded as a question of fact on which a trial court's views are entitled to great respect. (*Philadelphia, W. and B.R. Co.* v. *Philadelphia and H.S.T. Co.*, 64 U.S. 209, 219 (1859); *Qbear-Nester Glass Co.* v. *United Drug Co.*, 149 F. 2d 671, 675 (8th Cir. 1945).) If the statement of the Seventh Circuit in *Ric-Wil Co.* v. *E. B. Kaiser Co.*, 179 F. 2d 401 (7th Cir. 1950), that

> "'General damages' is a broad term which no doubt may include numerous elements depending upon the circumstances of the case. And whether an infringer's profits is an element of such damages depends upon the facts of each individual case,"

is correct, the sweeping doctrine of this case necessarily is wrong and the trial court's judgment as to the weight to be given particular facts must be sustained unless clearly erroneous.

Whether the damage questions be viewed as questions concerning rules of recovery or as questions raising an issue as to the appropriate and relative functions of trial courts and courts of review under the federal system, the matter is one which this Court should pass upon.

CONCLUSION

It is respectfully suggested that the opinion of the Court of Appeals for the Seventh Circuit merits review by this Court because, if permitted to stand, it will greatly lower the standard of invention heretofore insisted upon in combination patents and will denigrate the role of the Patent Office in passing upon patent applications. Of equal importance, this Court has never construed the present recovery section of the Patent Statute; the cases are in the greatest confusion; the instant opinion, if permitted to stand, will be utilized by patentees throughout the country to sweep aside well understood standards of compensatory damages.

Respectfully submitted,

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October 14, 1963.